

Message Text

PAGE 01 STATE 139096

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ORIGIN NEA-12

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 COME-00 L-03 AGR-20

CIAE-00 INR-10 NSAE-00 H-03 TAR-02 PRS-01 /122 R

DRAFTED BY NEA/IAI:JCDEAN:SKG

7/12/73 EXT 22294

APPROVED BY S/S: MR. GAMMON

NEA:ALATHERTONJR

EB/OF/FPD:MPBOERNER

E: MR. CASEY

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P 162044Z JUL 73

FM SECSTATE WASHDC

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E.O. 11652: N/A

TAGS: PFOR, EAGR, ETRD, EGEN, IS

SUBJECT: GOI REQUEST FOR EXEMPTION FROM SOYBEAN EMBARGO

REF: STATE 129683

1. MINISTER SHALEV AND ECONOMIC MINISTER SHER CALLED ON UNDER SECRETARY CASEY JULY 11 TO PRESENT GOI REQUEST FOR EXEMPTION FROM SOYBEAN EMBARGO AND LEFT FOLLOWING MEMO WHICH THEY REQUESTED BE TREATED AS CONFIDENTIAL DRAFT:

BEGIN QUOTE GOVERNMENT OF ISRAEL REQUESTS IT BE GRANTED SPECIAL PERMIT TO EXPORT FULL AMOUNT THREE JULY-AUGUST SOYBEAN SHIPMENTS, CONTRACTED FOR IN OCT-DEC 1972. IF PERMIT NOT GRANTED, ISRAEL STOCKS OF SOYBEANS WILL BE EXHAUSTED BY MID-OCTOBER 1973, SOYBEAN PROCESSING WILL BE SHUT DOWN AND NO SUPPLIES ESSENTIAL FEEDS WILL BE AVAILABLE. THIS CRISIS CANNOT BE AVERTED BY LIMITING CONSUMPTION, OR
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PAGE 02 STATE 139096

BY SHIPMENTS FROM NEW US CROP. IF RELIABLE ALTERNATIVE SUPPLIES CAN BE FOUND AT SUCH SHORT NOTICE, THEY WILL COST ADDITIONAL 15-20 MILLION DOLS.

QUOTE SUCH SOYBEAN EXPERIENCE, APPLIED TO PLANNING OF IMPORTATION AND REQUIRED STOCKS OF OTHER ESSENTIAL FARM CROPS, AGAINST BACKGROUND OF POLITICAL VULNERABILITY STATE OF ISRAEL, WOULD CHANGE BASIC DIMENSIONS ISRAEL'S FOREIGN EXCHANGE REQUIREMENTS AND BUDGETARY NEEDS.

QUOTE DETAILS, WHICH SUBSTANTIATE ABOVE SUMMARY, ARE AS FOLLOWS:

QUOTE 1. ISRAEL HAS PURCHASED SOYBEANS FROM US SINCE 1950S. OVER YEARS, ISRAEL'S FULLY PLANNED AGRICULTURE HAS SHIFTED FROM ALL OTHER IMPORTED OILSEEDS TO FULL RELIANCE ON SOYBEANS ALONE FOR EDIBLE OIL, LIVESTOCK AND POULTRY FEED. ISRAEL'S ONLY SOURCE SOYBEANS HAS BEEN AND IS NOW US.

QUOTE 2. BECAUSE OF ESSENTIALITY SOYBEAN SUPPLIES, ISRAEL'S POLITICAL SITUATION AND VULNERABILITY ITS SUPPLY LINES, ALL SOYBEANS ARE PURCHASED AND SHIPPED TO ISRAEL BY GOI. GOI HAS NEVER PURCHASED MORE THAN ESSENTIAL REQUIREMENTS ITS POPULATION.

QUOTE 3. AVAILABILITY OF SHIPPING TO ISRAEL IS LIMITED MAINLY TO ISRAEL FLAG VESSELS BECAUSE OF ARAB BLACKLISTING. ACCORDINGLY, GOI MUST CAREFULLY SCHEDULE ALL BULK SHIPMENTS ESSENTIAL FOOD AND FEED COMMODITIES TO MEET REQUIREMENTS AND PURCHASES ARE GENERALLY MADE 6-9 MONTHS IN ADVANCE TO MATCH CARGO AVAILABILITY TO SHIPPING SCHEDULES AND CAPACITY OF SOLE GRAIN ELEVATOR IN HAIFA PORT, WHICH MUST SERVICE ALL IMPORTED, BULK COMMODITIES. THEREFORE, ISRAEL DOES NOT HAVE FLEXIBILITY TO ALTER SCHEDULES AND SHIP GREATER QUANTITIES OF ONE COMMODITY ON ACCOUNT ANOTHER.

QUOTE 4. CURRENT US EXPORT CONTROLS AFFECT THREE SOYBEAN SHIPMENTS TO ISRAEL, WHICH WERE CONTRACTED FOR OCT 5, 1972, OCT 16, 1972 AND DEC 4, 1972, RESPECTIVELY. EACH OF THESE LIMITED OFFICIAL USE
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PAGE 03 STATE 139096

CONSIGNMENTS IS FOR 30,000 LONG TONS, 7 PER CENT MORE OR LESS. FIRST SHIPMENT, FOR WHICH VESSEL NOW IN PORT, WAS PURCHASED OCT FOR 136.15 DOLS P/TON. SECOND CARGO DUE TO BE LOADED JULY 20 WAS PURCHASED OCT FOR 133.65 DOLS P/TON. THIRD CARGO SCHEDULED FOR AUG 10-15 LOADING WAS PURCHASED DEC FOR 156.60 DOLS P/TON.

QUOTE 5. THESE THREE PURCHASES, TOTALLING SOME 90,000 TONS, WOULD COMPLETE ISRAEL'S PURCHASING FROM 1972 US SOYBEAN CROP. IN '71 ISRAEL PURCHASED 390,000 TONS US SOYBEANS, IN '72, 357,000 TONS, AND IN '73 TO DATE 270,000 TONS HAVE BEEN DELIVERED. THREE JULY-AUG SHIPMENTS WOULD

BRING '73 PURCHASES TO '72 LEVEL. CONTRARY TO PRIVATE TRADERS, WHO CONDUCT BUSINESS ACCORDING TO WORLDWIDE MARKET DEMANDS, GOI, ALTHOUGH FULLY AWARE US MARKET SITUATION AND WORLDWIDE DEMAND, COUNTED ON US AS ITS REGULAR, RELIABLE SUPPLIER, AND DID NOT INCREASE ITS PURCHASES NOR ALTER PURCHASING PLAN ADOPTED IN FALL '72.

QUOTE 6. THREE FULL JULY-AUG SHIPMENTS ARE REQUIRED IN ORDER PREVENT COMPLETE EXHAUSTION STOCKS AND SHUTDOWN SOY-BEAN PROCESSING IN ISRAEL BEFORE SHIPMENTS FROM NEW US CROP COULD POSSIBLY ARRIVE. SHIPMENT TO ISRAEL, FROM LOADING IN US PORT TO UNLOADING IN HAIFA PORT, TAKES 5-6 WEEKS. JULY 1, '73 STOCKS IN ISRAEL, INCLUDING SOYBEANS EN ROUTE, AMOUNTED TO ABOUT 60,000 TONS. MONTHLY CONSUMPTION IS SOMEWHAT MORE THAN 30,000 TONS. THREE CONSIGNMENTS, IF SUPPLIED AS SCHEDULED, WOULD BRING TOTAL AVAILABILITY FOR CONSUMPTION FROM JULY 1 ONWARDS TO 150,000 TONS. JULY, AUG, SEPT AND OCT CONSUMPTION WOULD REQUIRE 120,000 TONS, BRINGING NOV 1 STOCKS TO PRECARIOUS ONE-MONTH'S LEVEL. IT NOW ESTIMATED NEW CROP SHIPMENTS CAN ARRIVE AND BE DISCHARGED IN ISRAEL NOT BEFORE MID-NOV. ON OTHER HAND, IF ONLY HALF, 45,000 TONS, OF JULY-AUG CARGOES ARE LICENSED FOR EXPORT TO ISRAEL, ISRAEL SOYBEAN PROCESSING WILL SHUT DOWN BY MID-OCT AND NO SUPPLIES ESSENTIAL FEEDS WILL BE AVAILABLE.

QUOTE 7. BETWEEN NOW AND MID-OCT CONSUMPTION PATTERNS DEVELOPED OVER TWO DECADES CANNOT BE SIGNIFICANTLY ALTERED. CHANGING SOME CONSUMPTION HABITS BY PRICE CHANGE IS FORELIMITED OFFICIAL USE
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PAGE 04 STATE 139096

CLOSED BY 90-DAY PRICE FREEZE JUST IMPOSED BY GOI TO FIGHT INFLATION. IMPOSITION RATIONING IMPOSSIBLE IN PRESENT PRE-ELECTION POLITICAL SITUATION IN ISRAEL. SECURING ALTERNATIVE SHIPMENTS FROM OTHER COUNTRIES ALMOST IMPOSSIBLE BECAUSE ISRAEL HAS COMPLETELY DEPENDED UPON US SOYBEAN CROP. WHATEVER NOW AVAILABLE WILL BE CORNERED BY OTHER COUNTRIES WITH SUPERIOR FINANCIAL RESOURCES AND POLITICAL TIES.

QUOTE 8. UNDER OCT AND DEC '72 CONTRACTS WITH GOI, SUPPLIERS INSIST IN VIEW USG EXPORT LIMITATION HALF THEIR SUPPLY OBLIGATION IS CANCELLED. GOI NOT IN POSITION INT'L TRADERS, WHO ACT, DIRECTLY OR INDIRECTLY, IN US AND ABROAD, WHO CAN SWITCH CARGOES, OR STORE CARGOES IN US UNTIL EXPORT LIMITATIONS LIFTED. IF WERE AT ALL POSSIBLE FOR ISRAEL TO OBTAIN 45,000 TONS FROM ALTERNATIVE SOURCES, PRICE WOULD BE SOME 550-600 DOLS TON. THIS WOULD ENTAIL EXPENDITURE BY GOI OF ADDITIONAL 18 MILLION DOLS, AS COMPARED WITH PRICES FIXED IN OCT AND DEC '72 PURCHASE CONTRACTS. END QUOTE

2. WHEN QUERIED WHAT RESULT WOULD BE IF EXEMPTION NOT GRANTED, SHER REPLIED IT WOULD BE VERY SERIOUS AND WOULD FORCE ISRAEL TO STOP PRODUCING POULTRY. MOREOVER, OTHER SOURCES FOR SOYBEANS WOULD BE VERY DIFFICULT FOR ISRAEL TO OBTAIN IN ABSENCE PREVIOUS TRANSACTIONS BY ISRAEL WITH THEM, PLUS PROHIBITIVE PRICES PRESENTLY IN EFFECT. IN RESPONSE TO OTHER QUERIES SHER STATED THERE WERE NO

ALTERNATIVE FEEDS AVAILABLE IN ISRAEL; ISRAELI EXPORTS OF OIL HAVE ALSO BEEN CURTAILED IN RECOGNITION SERIOUSNESS OF PROBLEM.

3. SHER ALSO DISCUSSED DIFFICULTY OF AGREEING TO REQUIREMENT LEVIED BY DEPARTMENT OF COMMERCE THAT IMPORTERS PROVIDE A STATEMENT AGREEING THAT THEY WILL ACCEPT A PARTIAL SHIPMENT OF THE AMOUNT PREVIOUSLY CONTRACTUALLY AGREED. HE ASSERTED THAT PROVIDING THE STATEMENT WOULD MEAN THAT ISRAEL WAS RENOUNCING ITS RIGHTS TO THE REMAINDER OF THE SHIPMENT. WE EXPLAINED THAT USG IS NOT REQUIRING A LEGAL AFFIDAVIT WHICH COMMITS IMPORTERS TO ACCEPT LIMITED SHIPMENTS WITHOUT RESERVATION. SHOULD THEY WISH TO ADD A LIMITED OFFICIAL USE
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PAGE 05 STATE 139096

STATEMENT THAT ACCEPTANCE OF A PARTIAL SHIPMENT IN NO WAY WAIVES THEIR LEGAL RIGHTS TO THE FULL SHIPMENT, USG WOULD NOT OBJECT. IT IS ASSURANCE THAT THE PARTIAL SHIPMENT WILL ACTUALLY GO TO THE ORIGINALLY INTENDED DESTINATION THAT WE ARE INTERESTED IN. SHER WAS UNCONVINCED AND SAID THAT THE U.S. EXPORTER WAS UNWILLING TO ACCEPT SUCH A STATEMENT.

4. UNDERSEC CASEY EXPLAINED THAT USG'S POLICY OF EXPORT CONTROLS WAS DIFFICULT TO IMPLEMENT AND WHILE HE COULD NOT PROMISE THE GOI ANYTHING, THEIR REQUEST WOULD BE CONSIDERED CAREFULLY.

5. REQUEST EMBASSY'S ASSESSMENT VERACITY GOI CLAIM OF HARDSHIP IMPOSED BY USG EXPORT CONTROL POLICY, SPECIFICALLY, IN REGARD TO ASSERTION THAT IF EMBARGO NOT APPLIED, NOV 1 STOCKS WOULD AMOUNT TO ONE-MONTH SUPPLY. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORT CONTROLS, SOYBEANS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE139096
Document Source: ADS
Document Unique ID: 00
Drafter: NEA/IAI:JCDEAN:SKG
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730768/abqcemvv.tel
Line Count: 208
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 129683
Review Action: RELEASED, APPROVED
Review Authority: worrelsw
Review Comment: n/a
Review Content Flags:
Review Date: 28 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Dec-2001 by shawdg>; APPROVED <27 FEB 2002 by worrelsw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status:
Subject: GOI REQUEST FOR EXEMPTION FROM SOYBEAN EMBARGO
TAGS: PFOR, EAGR, ETRD, EGEN, IS
To: TEL AVIV
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005